

# **Selection of Contract Administrator for the Delaware Sustainable Energy Utility**

**For the  
Delaware Sustainable Energy Utility  
Oversight Board**

**January 14, 2009**

**Charlie T. Smisson, Jr.  
State Energy Coordinator  
Delaware Energy Office  
1203 College Park Drive, Suite 101  
Dover, DE 19904  
Tel: 302-735-3480  
Fax: 302-739-1840**



# THE SUSTAINABLE ENERGY SPACE

Less Energy

Onsite  
Renewable  
Energy

Clean Vehicles/  
Green Transport

Green Buildings

Affordable Energy  
Services

## SUSTAINABLE ENERGY UTILITY

### IMPLEMENTATION

Energy Service  
Companies (ESCOs)

Fuels Affected:

- Electricity
- Gas
- Fuel Oil
- Propane
- Gasoline, diesel

Local Governments

End Users:

- Low-income
- Residential
- Commercial/Industrial
- Agricultural
- Transportation

Community Service  
Organizations

End Uses:

- Appliances
- Lighting
- Heating & Cooling
- Industrial Processes
- Vehicles

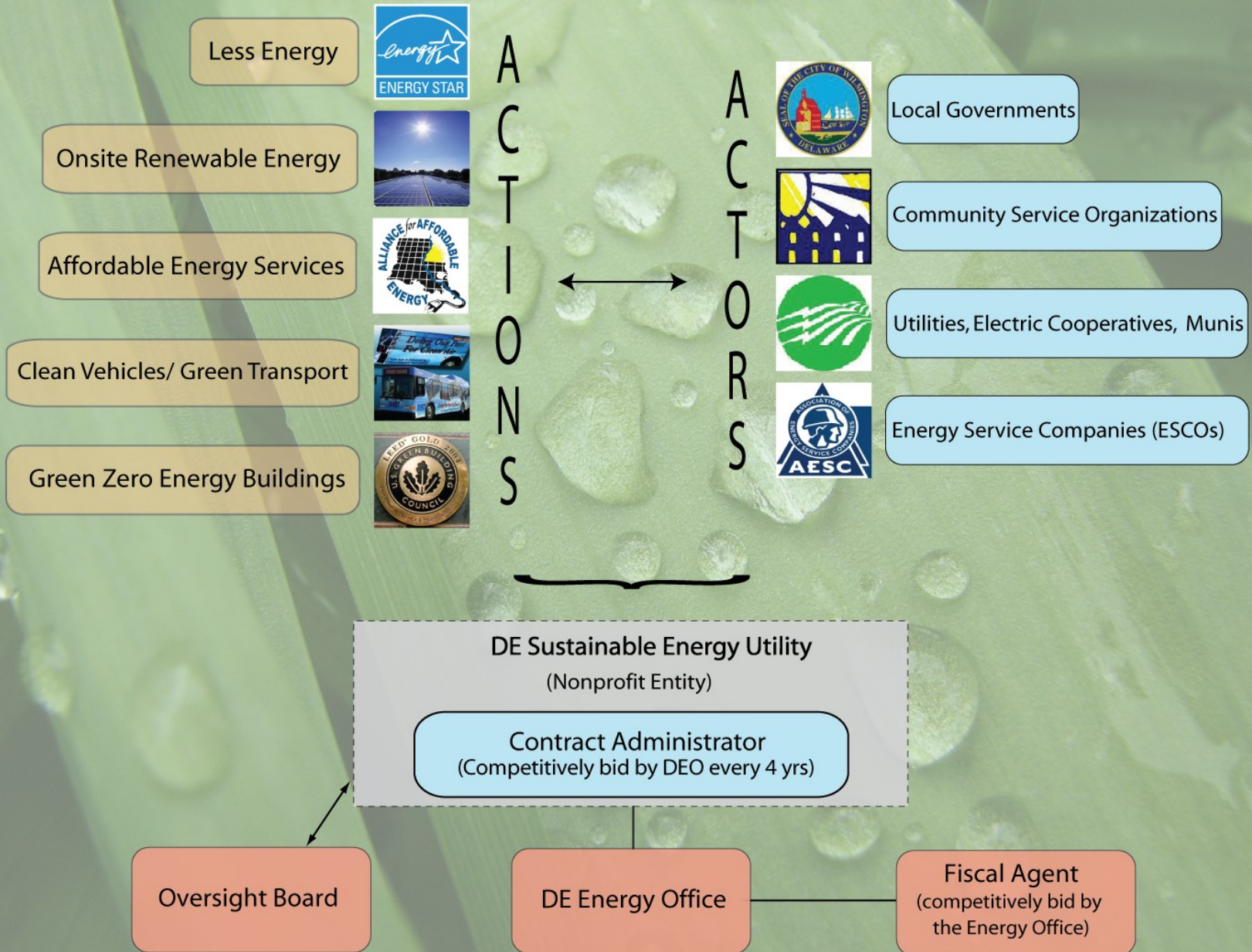
Utilities, Others

Functions:

- Education & Outreach
- Incentive Programs



# THE SUSTAINABLE ENERGY SPACE



# SEU Contract Administrator

- The SEU Contract Administrator ("CA") manages the day- to-day functions and responsibilities of the SEU.
- The CA's chief responsibilities are program research and design, administration of the Implementation Contracts, and oversight to ensure the Implementation Contractors meet appropriate performance and budgetary targets.
- The CA may also conduct education and public outreach programs with approval of the DEO.

# RFP Proposal Requirements

- Propose a SEU Program Portfolio with:
  - Initial SEU Program Targets:
    - By December 31, 2015, achieve an average 30% reduction in annual energy usage for ***SEU participants***
    - Weatherize approximately eight hundred (800) low-income households per year
    - Green Buildings
    - Clean Vehicles/Green Transport
    - 300 MW of SEU-supported Customer-sited Renewables by 2019
  - Quick Launch Programs – begin providing incentives for energy saving and customer- sited renewable energy services within 60 - 90 days of CA contract execution
  - Near-Term programs operational within 180 days of execution of the CA contract
  - Package Service Offerings

# RFP Proposal Requirements cont'd

- Propose a SEU Funding Approach – bidders were required to propose and detail shared- savings models, shared RECs/SRECs models, and other relevant funding approaches to fund the SEU and repay bond debt
- Demonstrate Organizational and Management Capability including:
  - Bidder Qualifications and Experience
  - Qualifications and Experience of Key Personnel
  - Client References
  - General Administration Budget Information
  - IT Budget Information and
  - Marketing and Consumer Information Strategy

# CA RFP Responses

5 Filed Intent to Respond Forms

2 RFP Responses Were Submitted -- Why Only 2?

- Teaming reduced the number of RFP responses
- Several potential bidders decided to pursue implementation contracts instead
- Responding to the SEU CA RFP may have required more time and effort than a typical RFP response because the SEU is a new concept
- The economic downtrend in September

# CA RFP Responses cont'd

Two Respondents Are Very Qualified and Capable Firms That Formed Impressive Teams

- Nexant and Applied Energy Group are prominent energy consulting companies
- Bidding teams have extensive experience in sustainable energy program design and development





- **Nexant Inc.** is a leading U.S. energy engineering & consulting company. Its clients include the U.S. DOE, U.S. EPA, and state governments, e.g., it was retained by New York to evaluate its market transformation programs. Nexant has assisted utilities throughout the country including in California to design, market, and verify sustainable energy programs
- Partner: **GDS Associates** assists private and public sector clients in the development of energy efficiency and renewable energy markets. GDS has a 53-person Energy Efficiency, Renewable Resource and Distributed Generation (EERD) Department that has substantial energy efficiency program design, implementation, and program evaluation experience. GDS is the leading service provider in New England for implementing complex evaluations and benchmarking program practices
- Partner: **Think Energy's** sole focus is renewable energy consulting whose clients include commercial companies, governments, educational institutions and non-profits and is experienced in Mid-Atlantic renewable energy markets
- Partner: **Warren Energy Engineering, LLC** is an independent provider of energy engineering services specializing in assessments of commercial, institutional, and industrial facilities



- **Applied Energy Group, Inc.:** AEG has been planning, designing, and administering energy efficiency and renewable energy programs for over 20 years throughout the United States. AEG's clients include electric and gas utilities around the country, state governments, the federal government, and private sector businesses. It is currently administering New Jersey's successful Clean Energy Programs
- Partner: **Cadmus Group** is the national marketing consultant and manager of the highly successful U.S. Environmental Protection Agency's ENERGY STAR Program, other voluntary programs under EPA's Climate Protection Partnerships Division, as well as numerous gas and electric energy efficiency utility programs
- Partner: **TMA Delaware** is a leading organization with expertise in innovative transit and commute planning options
- Partner: **Catalyst Financial Services Group** has assisted U.S. EPA and U.S. DOE and has worked with utilities in New England and New York to develop sustainable energy financing strategies

# CA Selection Process

Presentations by and interview of CA RFP Respondents were conducted on October 24, 2008 and was followed up by a request for additional information from each respondent based on interviews.

- Interview team:
  - Charlie Smisson, Delaware Energy Office, Chair
  - Bert Scoglietti, Office of Management and Budget
  - Michael Sheehy, Division of the Public Advocate
  - Blair Hamilton, Efficiency Vermont
  - Trenton Allen, CitiGroup
  - Phil Cherry, DNREC participating as an “ex officio” non-voting member

# Assessment of SEU CA RFP Responses

Each member of the interview team assessed the CA proposals and completed an evaluation table, rating the following criteria on a 0-10 scale

## **1. Proposed SEU Program Portfolio**

- Innovative program proposals
- Initial SEU Program Targets (stated in yearly and overall contract formats)
- Quick Launch programs
- Near-Term programs
- Package Service offerings
- Balanced portfolio
- Lost-opportunity markets
- Probability of achieving or exceeding stated energy savings & renewable energy development goals
- Overall strategic approach and design
- Experience in program design, innovative program development, and portfolio development

## **2. Proposed SEU Funding Approach**

- Proposed shared-saving and other savings-focused models
- Proposed REC/SREC-sharing models
- Experience implementing shared-saving and other savings-focused mechanisms
- Experience with bond instruments
- Experience with charitable and other grant administration
- Alternative funding approaches.

## **3. Management Proposal and Experience**

- Demonstrated competence and experience
- IC management plan
- Monitoring and evaluation protocols
- Budgeting and financial management
- IT budget and proposal
- Budget for achieving savings in each SEU program
- Budget for customer-sited renewable energy development



# AEG Versus Nexant

- AEG submitted a conservative proposal that didn't over-promise and highlighted challenges to achieving SEU goals
- AEG demonstrated a better understanding of SEU concepts, the ability to implement innovative concepts, and more of a capacity to be flexible in carrying out CA duties than Nexant
- Partner's Cadmus and TMA were identified as a particular strength for AEG due to Cadmus' work on Energy Star and TMA's experience in Delaware with Transportation initiatives
- Nexant has a demonstrated track record of implementing and evaluating utility DSM programs but seemed to view the SEU as another utility DSM program and appeared to be less flexible than AEG but Committee members felt they could potentially do the job if negotiations with AEG prove unsuccessful

# NEXT STEPS

- Input from the Board on CA SEU RFP process
- Begin contract negotiations with AEG
- If contract negotiations with AEG falter, engage Nexant in contract negotiation process
- Identify legislative priorities for the SEU and propose specific changes to state law – DEO/SEU Oversight Board

# Issues for Contract Negotiation

- CA compensation
- Performance incentives and associated metrics
- Quick Start and Near Term programs
- Budget for planning and administrative tasks in first-year

## Expectations for First Year of SEU

- The development of a portfolio of programs that address all initial targets and fuels may not occur during first year
- The credit market crisis poses more challenges for the SEU in procuring bonds
- The Board and DEO will need to be active in their oversight duties to help guide the CA in the development of SEU programs and funding mechanisms
- Unless the RPS law is changed regarding the REC and SREC markets, that revenue stream will be smaller than anticipated



# Lessons Learned: Oversight Challenges for the SEU Board and Energy Office

## Repackaging of Traditional Electric and Gas Utility DSM

- Relying on their experience providing service to electric and natural gas utilities, both respondents proposed programs very similar to traditional electric and gas utility demand-side management programs
- The Board and DEO will have to take the lead in ensuring that the CA develops a portfolio of programs that include all fuels and addresses targets identified in the SEU law

# Lessons Learned: Oversight Challenges for the SEU Board and Energy Office

## Renewable Energy

- The synergistic impacts on marketing and the packaging of incentives for renewable energy will be more difficult with the administration of Green Energy Fund separate from the SEU
- Innovative shared shavings mechanisms and other incentives for renewable energy may depend on agreements with electric suppliers or changes to local and state law
- In particular, in the SEU law, a portion of the SEU's funding was to be derived from the RECs/SRECs. The current structure of the Renewable Portfolio Standard (RPS) does not allow for the anticipated level of funding from RECs/SRECs. Changes to the RPS law will be necessary to make the REC/SREC markets more robust and a more secure source of funding for the SEU

# Lessons Learned: Oversight Challenges for the SEU Board and Energy Office

## Shared Savings Models

- Both respondents were understandably challenged to propose innovative shared savings models that could be easily and quickly established
- Shared savings model that use ESCOs in commercial and institutional markets in their traditional performance contracting roles confront the issue of providing enough of a benefit to the ESCO to make it in the ESCO's interest to work with the SEU while still maintaining a cost-effective program.
- High transactional costs for residential and small commercial customers are a particular challenge when developing shared savings mechanisms for these customers
- In some cases, SEU support of changes to state and local laws may be necessary to allow the development of innovative shared savings mechanisms
- The Board and DEO will need to work with the CA to develop such shared savings mechanisms

# End of Presentation

## References:

Charlie T. Smisson Jr.

State Energy Coordinator

[Charlie.Smisson@state.de.us](mailto:Charlie.Smisson@state.de.us)

[www.seu-de.org](http://www.seu-de.org)

[www.delaware-energy.com](http://www.delaware-energy.com)